

Nov 22, 2024

Three Take-Aways

- 1) Trump trades led gains; UST yields moved higher amid cautionary tones in FedSpeak.
- 2) Brent Oil advanced ~2.0% on escalation of Russia-Ukraine war.
- 3) Indonesia long-term fiscal woes persist even if Tax Amnesty bill could help government to meet 2025 fiscal deficit target; updates to subsidy reforms encouraging but track record of successful reforms checkered.

MACRO THEME: Trump Trades Lead

- Risk sentiments were buoyant despite escalation in Russia-Ukraine war, with Trump trades leading the gains. Equities climbed while Bitcoin surged to near US\$100,000 levels.

- UST yields climbed higher amid cautionary tones in FedSpeak and lower-than-expected initial jobless claims. While Fed Goolsbee and Williams said they saw further easing amid continued disinflation, Fed Schmid did not believe the current rates were overly restrictive and added that the Fed will need to consider the effects of fiscal policy.

- Brent oil advanced ~2.0% to above US\$74/bbl following Russia launching a new kind of ballistic missile, an apparent retaliation following the expanded use of Western-provided long-range weapons by Ukrainian forces.

Yields (2Y: +3.3bp; 10Y: +1.1bp; 30Y: +0.4bp)

- UST yields climbed further, in a flattening move.

Equities (Nasdaq: +0.0%; S&P 500: +0.5%; Dow: +1.1%)

- US equities moved higher.

FX (DXY: +0.3%)

- USD broadly gained against G10 currencies amid higher yields.

- JPY bucked the trend, and appreciated ~0.7% against the greenback, with USD/JPY moving below mid-154 levels on BoJ's Governor Ueda's comments that the December meeting was left open, suggesting that a rate hike was still possible this year if the data supports that view. Ueda's comments also came on the back of calls from Japan's largest labour union for a least a 5% wage hike across all sectors and 6% increase for smaller firms. The labour union managed gains of 5.1% overall, and a 4.45% raise for firms with <300 employees this year.

- EUR led losses, dipping below 1.05 handle, on dovish comments by ECB officials. ECB Villeroy (dove) said potential tariffs during a second Trump presidency would not derail the ECB's easing plans, with risks to inflation and growth are "shifting to the downside". Meanwhile, ECB Stournaras (dove) said ECB should cut at every meeting till ECB reaches 2%, viewing the jump in Q3 wage growth as a blip. ECB Holzmann (hawk) also remarked that December cut was the likeliest outcome even as he noted some uncertainties.

- Down under, AUD was buoyant above 65 cents amid higher oil prices. Elsewhere, USD/SGD moved higher to around mid-1.34 levels.

China: Headwinds Remain

- Amid a quiet data calendar for China and news, CSI300 edged slightly higher (+0.1%). Nonetheless, Nasdaq Golden Dragon index fell -1.0% overnight amid Trump trade euphoria, suggesting Trump's second presidency continues to pose some headwinds on China's growth outlook.

Indonesia Fiscal Update: Woes Persist

- While there have been some developments on the fiscal front in recent weeks, fiscal risks are still not absolved.

- Updates on Subsidy Reform: On 15 Nov, the Energy Minister said that the government is finalising a policy review that includes an option to replace its current subsidies for gasoline, diesel and other transportation fuels with cash-handouts for poor citizens. The government is also reviewing subsidies for electricity.

- To be clear, such reforms were already highlighted in 2025 Macroeconomic Framework and Fiscal Policy Principles document, although these updates are encouraging insofar as they signal progress towards these goals. Nonetheless, it is worth noting that Indonesia has a checkered history of subsidy reforms. Successful attempts at subsidy reforms featured social assistance to the poor, strong political leadership and communication campaigns, but efficiency of reforms could be mitigated by volatility in the oil and currency markets.

- Tax Amnesty Program: On 19 Nov, Prabowo's newly-appointed parliament decided to add a Tax Amnesty Law revision to its list of priority bills for 2025. A tax amnesty programme allows tax evaders to come clean and declare their back taxes and hidden assets to tax authorities, with only having to pay a much smaller amount compared to what they have to pay if the authorities caught them red-handed.

- While the Tax Amnesty Program could raise state revenues and broaden the tax base, such programmes have diminishing marginal returns on subsequent implementation. The first Tax Amnesty programme in 2016-2017 collected IDR135tn, while the second Tax Amnesty programme in 2022 collected IDR61tn, less than half of what was collected in the first round.

- Should the bill be passed and assuming IDR30tn is collected, this would be ~0.1% of GDP, but still less than half the cost of the free lunch programme for 2025 (budgeted at IDR71tn).

- But questions still linger for the future outlook. Point being, the Tax Amnesty programme may see the fiscal deficit goal being achieved in 2025 (on one-off gain on collection of back taxes in addition to tax base), but this does not absolve fiscal risks on sustained large spending in future years as the expansion in tax base is unlikely to cover massive spending plans. Notably, the cost of the free lunch programme when fully rolled-out could cost 6 times more.

DATA/EVENTS

Yesterday	Actual	Exp.	Prior
(ID) BoP C/A Balance (3Q)	-\$2150m	-\$2948m	-\$3246m
(KR) Exports/Imports 20 Days YoY (Nov)	5.8%/-1.0%	--	-2.9%/-10.1%
(US) Existing Home Sales (Oct)	3.96m	3.95m	3.84m
(US) Initial Jobless Claims	213k	220k	219k
(US) Philadelphia Fed Biz Outlook (Nov)	-5.5	8.0	10.3
(US) Leading Index (Oct)	-0.4%	-0.3%	-0.3%

Today

(MY) CPI YoY (Oct)		1.8%	1.8%
(TW) Unemployment Rate (Oct)		--	3.4%
(SG) GDP YoY/SA QoQ (3Q F)	5.4%/3.2%	4.7%/2.7%	4.1%/2.1%
(US) UoM Sentiment/Expectations (Nov F)		72.0/-	73.0/78.5
(US) UoM 1Y/5-10Y Inflation (Nov F)		--	2.6%/3.1%
(US) Kansas City Fed Mfg Activity (Nov)		--	-4
(JP)NatI CPI YoY(Oct)	2.3%	2.3%	2.5%
Mfg/Services PMI (US, EZ, JP)			

FX OUTLOOK

FX	Close (NY)	Open*	Daily %Δ	Forecast	
USDJPY	154.54	154.17	▼0.58%	152.00	- 156.00
EURUSD	1.0474	1.0470	▼0.66%	1.0390	- 1.0580
GBPUSD	1.2589	1.2586	▼0.50%	1.2490	- 1.2690
AUDUSD	0.6511	0.6511	+0.08%	0.6440	- 0.6570
DX	107.0	--	+0.27%	106.3	- 107.6
USDCNY	7.2422	--	▼0.05%	7.2250	- 7.2700
USDCNH	7.2550	7.2550	+0.05%	7.2300	- 7.2800
USDHKD	7.7828	7.7832	▼0.01%	7.7790	- 7.7920
USDSGD	1.3464	1.3465	+0.25%	1.3360	- 1.3510
USDKRW	1401	1401	+0.00%	1390	- 1410
USDTWD	32.55	--	+0.16%	32.40	- 32.75
USDINR	84.50	--	+0.10%	84.45	- 84.80
USDIDR	15925	--	+0.38%	15800	- 16050
USDMYR	4.467	4.463	▼0.10%	4.455	- 4.485
USDPHP	59.00	--	+0.14%	58.75	- 59.20
USDTHB	34.64	34.74	▼0.23%	34.50	- 35.00
USDVND	25420	25421	+0.02%	25350	- 25550

*Open is as at 8am HKT/SGT.

MARKET MOVES

Bond Yields	2Y Close	10Y Close	2Y Δ (bps)	10Y Δ (bps)
UST (US)	4.350	4.423	3.3	1.1
JGB (JP)	0.572	1.092	1.9	2.3
Bunds (GE)	2.101	2.316	-2.5	-3.3
Gilts (UK)	4.380	4.442	-2.0	-2.6
AGB (AU)	4.114	4.577	2.5	1.9
SGS (SG)	2.836	2.858	1.2	-2.2
CGB (CN)	1.385	2.083	-0.8	-0.6
KGB (KR)	2.979	2.893	0.4	3.3
SDL (IN)	6.862	6.714	0.5	1.9

Cross FX	Close (NY)	Open*	Daily %Δ
EUR/JPY	161.87	161.42	▼1.23%
GBP/JPY	194.554	194.031	▼1.07%
JPY/SGD (100yen)	0.8713	0.8734	+0.84%
JPY/HKD (100yen)	5.0359	5.0485	+0.57%
CNH/JPY	21.341	21.297	▼0.45%
CNH/HKD	1.0749	1.0752	+0.05%
EUR/GBP	0.83202	0.83191	▼0.16%
AUD/NZD	1.1112	1.1117	+0.37%
EUR/CNH	7.5991	7.596	▼0.61%
GBP/CNH	9.1341	9.1308	▼0.44%

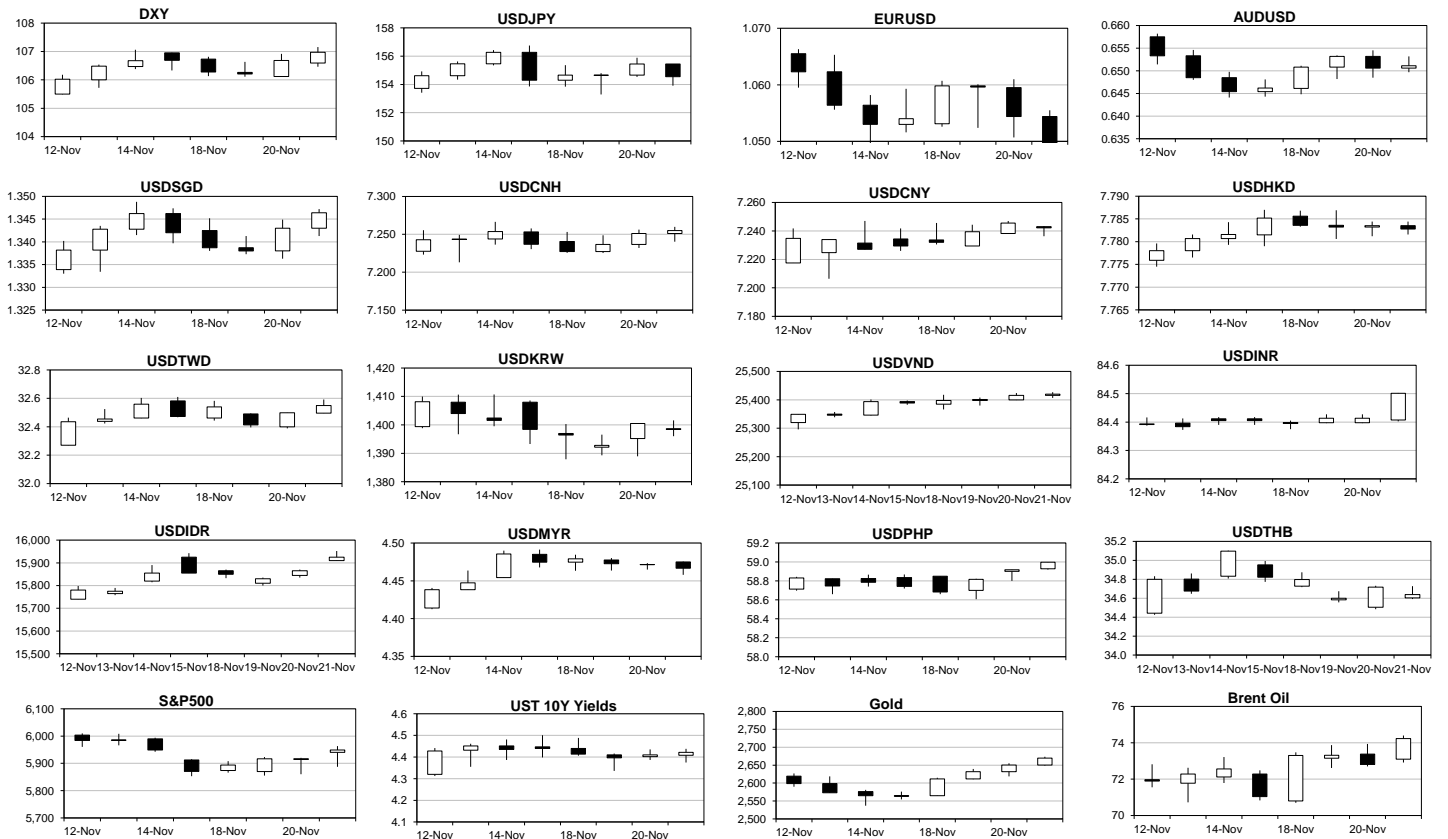
*Open is as at 8am HKT/SGT.

G3 Equities	Close	Net Chg	Daily %Δ
S&P500 (US)	5948.71	31.60	+0.53%
Nasdaq (US)	18972.42	6.28	+0.03%
DJIA (US)	43870.35	461.88	+1.06%
N225 (JP)	38026.17	-326.17	▼0.85%
STOXX50 (EU)	4755.83	26.12	+0.55%

Asia Equities	Close	Net Chg	Daily %Δ
ASX (AU)	4448.06	33.11	+0.75%
STI (SG)	3739.22	-4.42	▼0.12%
SHCOMP (CN)	3370.404	2.41	+0.07%
SZCOMP (CN)	2039.006	1.35	+0.07%
HSI (HK)	19601.11	-103.90	▼0.53%
SENSEX (IN)	77155.79	-422.59	▼0.54%
JSE (ID)	7140.912	-39.42	▼0.55%
KLSE (MY)	1588.68	-9.50	▼0.59%
PSE (PH)	6863.01	-112.62	▼1.61%
SET (TH)	1440.46	-22.02	▼1.51%
VNINDEX (VN)	1228.33	0.01	+0.97%

Commodity	Close	Net Chg	Daily %Δ
COPPER (LME)	8,885.11	-82.91	▼0.92%
IRON ORE (CN)	102.18	1.60	+0.37%
GOLD	2,669.72	19.12	+0.72%
SILVER	30.79	0.15	+4.57%
OIL (BRENT)	74.23	1.42	+1.95%
OIL (WTI)	70.10	1.23	+1.79%
NATURAL GAS	3.34	-0.07	▼0.21%

CHARTS



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